

# INDEPENDENT DIRECTOR REPORT OF XACBANK

Ulaanbaatar B

Quarter IV, 2024



## STATEMENT

I, Ulambayar B., the Independent Non-Executive Director at the Board of Directors of XacBank, have prepared this Independent Director's Report (the "**Report**") pursuant to: (i) the Company Law and the Banking Law; (ii) banking regulations issued by the Bank of Mongolia ("**BoM**") – Procedures on Good Governance Review of Banks (the "**Good Governance Review**"), and Regulation on Nomination, Appointment, and Resignation of Independent Directors of Banks (the "**INED Regulation**"); (iii) XacBank's Charter and other governance policies applicable.

The Report covers the period of Quarter IV 2024 (the "**Applicable Period**").

### 1. ATTENDANCE REPORT

(INED Regulation Clauses 5.2.1 and 5.2.2)

The following meetings as shown in Schedule 1 have been convened and held in the Applicable Period.

#### Board meetings in the Applicable Period

*Schedule 1*

Meetings	Attendance	Date
Board meetings	As an independent director	<ul style="list-style-type: none"> <li>7 November 2024</li> </ul>
Board Audit Committee meeting (" <b>BAC</b> ")	As a member	<ul style="list-style-type: none"> <li>7 November 2024</li> </ul>
Board Risk Management Committee meeting (" <b>BRMC</b> "), online votes	As a member	<ul style="list-style-type: none"> <li>18-23 October 2024, online voting</li> <li>7 November 2024</li> <li>13-20 November 2024, online voting</li> <li>27 November-4 December 2024, online voting</li> </ul>
Board Governance, Nomination and Compensation Committee (" <b>GNCC</b> ")	As a member	<ul style="list-style-type: none"> <li>7 November 2024</li> </ul>

### 1.1 BOARD MEETINGS

1.1.1 The **BOARD REGULAR MEETING** was held on **7 November, 2024** and the agenda items were as follows:

1. Approval of the agenda
2. Update on previous board decisions and recommendations
3. Reports of the Board Committees:
  - Governance, Nomination and Compensation (GNC) Committee
  - Audit Committee (BAC)
  - Risk Committee (BRMC)
4. Management update: September 2024
  - Operational update

- Economic and banking update  
Business-line performance  
Financial Results
5. XacBank Budget 2025
    - Operating Environment Macro Outlook
    - XacBank Budget Assumptions and Objectives
    - Growth targets
    - Opex and Capex
    - Sensitivity Analysis
    - Stress Test for 2025 Budget
  6. XacBank Funding Plan 2025
  7. CEO KPIs for 2025
  8. Share Repurchase Program: 9 months
  9. Update on the next steps on TFG XacBank merger
  10. Update on Digitalization IT
  10. [REDACTED]
  11. [REDACTED]
  12. Other

The agenda item, "Update on Digitalization and IT", was removed from the agenda as it had been discussed the previous day as a part of the Strategy discussions.

- For item #8 Share Repurchase Program, I participated in the discussion by clarifying the outcomes of the program's implementation and the potential consequences in example scenarios.
- Item #5, #6, #7, #8, and #10 were approved by the board of directors. I voted in favor of the decisions made during the meeting and did not have any disagreements with them.

## 1.2 BOARD AUDIT COMMITTEE MEETING[S] ("BAC")

I have attended the following **BAC meetings** as shown in Schedule 2.

### BAC meeting in the applicable period

*Schedule 2*

Date	Agenda
7 November 2024	<ol style="list-style-type: none"> <li>1. Approval of the Agenda</li> <li>2. 2025 audit plan and budget</li> <li>3. BAC Charter amendment</li> <li>4. Progress update on GAP assessment agreement</li> <li>5. Audit reports               <ol style="list-style-type: none"> <li>5.1 Continuous audit report 2024 Q3</li> <li>5.2 2024 audit sprint- AML, Salary Loan, XacLeasing</li> </ol> </li> <li>6. Report on whistle blow cases 2024</li> <li>7. Related parties' quarterly reporting (BoM Guidelines)</li> <li>8. Others</li> </ol>

- As the Chairperson of BAC, I chaired the BAC meeting.
- Item #2 and #3 were approved unanimously by the committee members. I voted in favor of the decisions made during the meeting and did not have any disagreements with them.

### 1.3 BOARD RISK MANAGEMENT COMMITTEE MEETING[S] ("BRMC")

I have attended the following **BRMC meetings** as shown in Schedule 3.

#### BRMC meeting in the applicable period

Schedule 3

Date	Agenda
18-23 October 2024, online voting	1. Approval of the [REDACTED]
7 November 2024	1. Approval of the Agenda 2. Risk management report September 2024 3. RAS: annual review 4. Write-off proposal (rolling agenda item) 5. Overview of the Bank's CMC credit approvals between MNT [REDACTED] during 2024 6. Compliance Update as of September 2024 7. Ratification of any related party/conflict of interest transactions during September 2024 / <i>There were no related party/conflict of interest transactions to approve under the policy/</i> 8. Miscellaneous
13-20 November 2024, online voting	1. Approval of the employee housing loan
27 November-4 December 2024, online voting	1. Approval of the [REDACTED]

- For 7 November meeting item #5, I inquired about a specific loan and, due to its uniqueness, asked about the decision-making process and whether similar loans had been issued previously.
- For 7 November meeting items #3 and #4 were approved by the committee members.
- The items from the other meetings were approved by the committee members. I voted in favor of the decisions made during the meeting and did not have any disagreements with them.

### 1.4 BOARD GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE MEETING ("GNCC")

I have attended the following **GNCC meetings** as shown in Schedule 4.

#### GNCC meeting in the applicable period

Schedule 4

Date	Agenda
7 November 2024	1. Approval of the Agenda 2. Succession Plan for Senior Management (rolling annual agenda) 3. Board Nomination Policy (amendment) 4. [REDACTED] 5. FRC's Corporate Governance Codex Assessment 6. [REDACTED] 7. Other

- Item #3 was approved by the committee members. I voted in favor of the decision made during the meeting and did not have any disagreements with it.

## 2. CONFLICT OF INTEREST TRANSACTION AND SIGNIFICANT AMOUNT TRANSACTION REPORT

(Banking law Clause 33.5 and INED Regulation Clause 5.2.3)

Pursuant to Clause 33.5 of the Banking Law, independent directors must vote on the conflict of interest transactions.

During the applicable period, **there were no** conflict of interest transactions that required approval by the Board.

I note that, in cases where any of the directors had conflict of interest, such director revealed their conflict of interest at the beginning of the meeting and did not vote on the matter.

## 3. GOVERNANCE REPORT

(Company Law Clause 79.3, INED Regulation Clause 5.2.4, and Good Governance review Clause 3.5)

The above-mentioned clauses of respective laws and regulations provide for independent directors the authority in the oversight over the Board and the executive management if their acts and decisions are in the best interest of the bank and in line with the regulatory requirements for the benefit of the Bank's stakeholders, including but not limit to, shareholders, customers, depositors and employees.

My observation towards the Bank's governance is;

Actions taken under the Company Law Clause 79.3 and Good Governance Review Clause 3.5	
<b>Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5</b>  <b>(BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)</b>	<p>In accordance with this clause, my emphasis was on monitoring and preventing violations, participating in all meetings, and contributing to decision-making. Throughout the applicable period, the actions of the board of directors and the executive management, as well as the policy decisions made, did not have any negative impact that could be defined within the scope of this clause.</p> <p>In this regard, it is noted in the report, specifying details of each attended meeting as needed.</p>
<b>Company Law Clause 79.3.2</b>  <b>(BANK'S TRANSPARENCY)</b>	<p>Within the purview of this provision, the executive management continues to ensure transparency and openness, and there is no situation to act as a special assignee.</p>
<b>Company Law Clause 79.3.3</b>	



<b>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</b>	During the applicable period, there was no shareholder meeting conducted.
<b>Good Governance Review Clause 3.5.1</b>  <b>(ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)</b>	Bank governance is functioning normally, and no serious actions or decisions affecting the Bank's interests were observed from the board of directors and the management team.
<b>Good Governance Review Clause 3.5.2</b>  <b>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</b>	Regarding the reporting process, transparency, and decision-making among Shareholders, the Board of directors, and the management team, they are operating in accordance with Company Law of Mongolia, Banking Law, and the relevant regulations of the Bank of Mongolia.
<b>Good Governance Review Clause 3.5.3</b>  <b>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</b>	No serious actions or decisions that would have a negative impact on the interests of the Bank's customers were observed from the board of directors and the management team.
<b>Good Governance Review Clause 3.5.6</b>  <b>(REPORTING OF VIOLATIONS TO BOM)</b>	There were no noteworthy occurrences.

#### 4. OTHER

- I participated in the bank's strategy session on 6 November 2024, which is held once every year.
- I participated the board training, titled "Local Perspective: Business, Risk Management and Independent Directors" was conducted in a hybrid format on 8 November and online on 16 December 2024.
- I provided the bank with a disclosure letter regarding my related parties, which is updated semi-annually.

Date: 9 January, 2025

 Signature: Ulambayar B.  
 Independent Non-Executive Director